# Shapes/Arch Holdings, LLC
## Liquidation Analysis - Exhibit 1
## Estimated Liquidation Proceeds

| | Month 1 Jul-08 | Month 2 Aug-08 | Month 3 Sep-08 | Month 4 Oct-08 | Month 5 Nov-08 | Month 6 Dec-08 | Month 7 Jan-09 | Month 8 Feb-09 | Month 9 Mar-09 | Month 10 Apr-09 | Month 11 May-09 | Month 12 Jun-09 | Month 13 Jul-09 | Month 14 Aug-09 | Month 15 Sep-09 | Month 16 Oct-09 | Month 17 Nov-09 | Month 18 Dec-09 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1) **Sources** | | | | | | | | | | | | | | | | | | | |
| a) Collection of A/R | | | | | | | | | | | | | | | | | | | |
| Shapes | 2,823,809 | 2,117,857 | 705,952 | 705,952 | 705,952 | 705,952 | 705,952 | 705,952 | - | - | - | - | - | - | - | - | - | - | 9,177,380 |
| Delair | 2,735,252 | 2,051,439 | 683,813 | 683,813 | 683,813 | 683,813 | 683,813 | 683,813 | - | - | - | - | - | - | - | - | - | - | 8,889,570 |
| Accu-Weld | 523,906 | 174,635 | 174,635 | 174,635 | 174,635 | 174,635 | 174,635 | 174,635 | - | - | - | - | - | - | - | - | - | - | 1,746,352 |
| Ultra | 1,112,328 | 834,246 | 278,082 | 278,082 | 278,082 | 278,082 | 278,082 | 278,082 | - | - | - | - | - | - | - | - | - | - | 3,615,065 |
| Total | 7,195,295 | 5,178,177 | 1,842,482 | 1,842,482 | 1,842,482 | 1,842,482 | 1,842,482 | 1,842,482 | - | - | - | - | - | - | - | - | - | - | 23,428,367 |
| b) Sale of Inventory | | | | | | | | | | | | | | | | | | | |
| Shapes | 8,899,710 | 2,224,927 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 11,124,637 |
| Delair | 2,356,705 | 2,356,705 | - | - | 1,178,352 | - | - | - | - | - | - | - | - | - | - | - | - | - | 5,891,762 |
| Accu-Weld | 303,035 | 454,553 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 757,589 |
| Ultra | - | - | - | 9,573,315 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 9,573,315 |
| Total | 11,559,450 | 5,036,185 | - | 9,573,315 | 1,178,352 | - | - | - | - | - | - | - | - | - | - | - | - | - | 27,347,303 |
| c) Sale of Machinery & Equipment | - | - | - | - | 142,020 | - | 1,175,295 | 472,095 | 4,051,500 | - | - | - | - | - | - | - | - | - | 5,840,910 |
| d) Sale of Real Estate | - | - | - | - | - | - | - | - | 2,542,500 | 2,520,000 | - | - | - | - | - | - | - | 13,720,000 | 18,782,500 |
| e) Other Assets | | | | | | | | | | | | | | | | | | | |
| Return of Post-Petition Security Deposits | | | | | | | | | | | | | | | | | | 1,055,000 | 1,055,000 |
| Excess of L/C over Reserve - Workmans Comp | | | | | | | | | | | | | | | | | | 1,400,000 | 1,400,000 |
| Recovery of Avoidance Actions 5.0% | | | | | | | | | | | | | | | | | | 2,540,650 | 2,540,650 |
| Total Estmiated Gross Liquidation Proceeds | 18,754,745 | 10,214,362 | 1,842,482 | 11,415,798 | 3,162,855 | 1,842,482 | 3,017,777 | 2,314,577 | 6,594,000 | 2,520,000 | - | - | - | - | - | - | - | 18,715,650 | 80,394,730 |

# Shapes/Arch Holdings, LLC
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## Estimated Liquidation Proceeds

| | | Month 1 Jul-08 | Month 2 Aug-08 | Month 3 Sep-08 | Month 4 Oct-08 | Month 5 Nov-08 | Month 6 Dec-08 | Month 7 Jan-09 | Month 8 Feb-09 | Month 9 Mar-09 | Month 10 Apr-09 | Month 11 May-09 | Month 12 Jun-09 | Month 13 Jul-09 | Month 14 Aug-09 | Month 15 Sep-09 | Month 16 Oct-09 | Month 17 Nov-09 | Month 18 Dec-09 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2) **Uses** | | | | | | | | | | | | | | | | | | | | |
| a) Priority and Administrative | | | | | | | | | | | | | | | | | | | | |
| Chapter 7 Trustee & Professionals | | 50,000 | 50,000 | 50,000 | 50,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 2,436,842 | 2,961,842 |
| Chapter 11 Non-Professionals | | 1,100,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,100,000 |
| Chapter 11 Priority Claims | | 1,326,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,326,000 |
| Chapter 11 Administrative Claims | | 80,000 | - | - | - | - | - | 932,000 | - | 74,794 | - | - | - | - | - | - | - | - | 673,145 | 1,759,939 |
| Subtotal | | 2,556,000 | 50,000 | 50,000 | 50,000 | 25,000 | 25,000 | 957,000 | 25,000 | 99,794 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 3,109,987 | 7,147,781 |
| b) Estimated Wind Down Costs | | | | | | | | | | | | | | | | | | | | |
| Shapes | | 675,168 | 209,508 | 151,248 | 375,748 | 150,748 | 150,748 | 375,748 | 150,748 | 250,748 | 475,748 | 233,548 | 233,548 | 458,548 | 224,948 | 224,948 | 449,948 | 224,948 | 224,948 | 5,241,544 |
| Delair | | 171,760 | 100,060 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 367,820 |
| Accu-Weld | | 197,080 | 103,220 | 40,760 | 19,760 | 19,760 | 39,760 | 19,760 | 19,760 | 39,760 | 19,760 | - | - | - | - | - | - | - | - | 519,380 |
| Ultra | | 348,740 | 70,780 | 53,160 | 8,660 | 8,660 | 8,660 | 8,660 | 8,660 | 8,660 | - | - | - | - | - | - | - | - | - | 524,640 |
| Total Wind Down Costs | | 1,392,748 | 483,568 | 251,168 | 410,168 | 185,168 | 205,168 | 410,168 | 185,168 | 305,168 | 501,508 | 239,548 | 239,548 | 464,548 | 230,948 | 230,948 | 455,948 | 230,948 | 230,948 | 6,653,384 |
| c) Other | | | | | | | | | | | | | | | | | | | | |
| Collection Agency | 15.0% | | | 276,372 | 276,372 | 276,372 | 276,372 | 276,372 | 276,372 | - | | | | | | | | | | 1,658,234 |
| Inventory Liquidator (Fee & Exp) | 5.75% | | | | 550,466 | 67,755 | | | | | | | | | | | | | | 618,221 |
| M&E Liquidator | 15.0% | - | - | - | - | 21,303 | - | 176,294 | 70,814 | 607,725 | - | - | - | - | - | - | - | - | - | 876,136 |
| Reserve for M&E Removal | | | | | | | | 75,000 | | 250,000 | | | | | | | | | | 325,000 |
| Real Estate Broker | 6.0% | - | - | - | - | - | - | - | - | 152,550 | 151,200 | - | - | - | - | - | - | - | 823,200 | 1,126,950 |
| Total Other | | - | - | 276,372 | 826,838 | 365,431 | 276,372 | 527,667 | 347,187 | 1,010,275 | 151,200 | - | - | - | - | - | - | - | 823,200 | 4,604,542 |
| **Net Proceeds from Liquidation** | | 14,805,997 | 9,680,794 | 1,264,942 | 10,128,792 | 2,587,256 | 1,335,942 | 1,122,943 | 1,757,223 | 5,178,763 | 1,842,292 | (264,548) | (264,548) | (489,548) | (255,948) | (255,948) | (480,948) | (255,948) | 14,551,515 | 61,989,023 |
| 3) **Maintain Cash Balance** | | | | | | | | | | | | | | | | | | | | |
| Beginning Cash Balance | | - | 2,500,000 | 2,505,208 | 2,510,428 | 2,515,658 | 2,520,899 | 2,526,150 | 2,531,413 | 2,536,687 | 2,541,972 | 2,547,268 | 2,288,026 | 2,028,245 | 1,542,923 | 1,290,189 | 1,036,929 | 558,141 | 303,356 | - |
| Plus: Additions | | 2,500,000 | - | | | | | | | | | | | | | | | | | 2,500,000 |
| Plus: Interest on Cash Balance | 2.50% | | 5,208 | 5,219 | 5,230 | 5,241 | 5,252 | 5,263 | 5,274 | 5,285 | 5,296 | 5,307 | 4,767 | 4,226 | 3,214 | 2,688 | 2,160 | 1,163 | 632 | 71,424 |
| Less: Use of Cash Balance | | - | - | - | - | - | - | - | - | - | - | (264,548) | (264,548) | (489,548) | (255,948) | (255,948) | (480,948) | (255,948) | - | (2,267,436) |
| Less: Return of Cash Balance | | | | | | | | | | | | | | | | | | | (303,988) | (303,988) |
| Ending Cash Balance | | 2,500,000 | 2,505,208 | 2,510,428 | 2,515,658 | 2,520,899 | 2,526,150 | 2,531,413 | 2,536,687 | 2,541,972 | 2,547,268 | 2,288,026 | 2,028,245 | 1,542,923 | 1,290,189 | 1,036,929 | 558,141 | 303,356 | - | (0) |
| 4) **Secured Debt Rollforward** | | | | | | | | | | | | | | | | | | | | |
| Beginning of Month | | 67,671,612 | 62,557,411 | 53,456,185 | 52,698,130 | 43,083,922 | 40,934,474 | 40,019,174 | 39,309,564 | 37,960,008 | 33,178,134 | 31,694,544 | 32,041,399 | 32,391,023 | 32,743,440 | 33,098,671 | 33,456,738 | 33,817,665 | 34,181,475 | 67,671,612 |
| Plus: Draw Under Ultra L/C's | | 3,000,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,000,000 |
| Plus: Draw Under Worker Comp - Prior | | 1,855,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,855,000 |
| Plus: Draw Under Worker Comp - Sentry | | 1,700,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,700,000 |
| Plus: Interest - Blended Rate | 7.31% | 411,961 | 380,828 | 325,422 | 320,806 | 262,280 | 249,195 | 243,623 | 239,303 | 231,087 | 201,977 | 192,945 | 195,057 | 197,185 | 199,331 | 201,493 | 203,673 | 205,870 | 208,085 | 4,470,122 |
| Plus: Additional Interest - Default Rate | 2.28% | 128,447 | 118,740 | 101,465 | 100,026 | 81,778 | 77,698 | 75,960 | 74,613 | 72,052 | 62,975 | 60,159 | 60,818 | 61,481 | 62,150 | 62,825 | 63,504 | 64,189 | 64,880 | 1,393,763 |
| Plus: Letter of Credit Fee | | 16,388 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 16,388 |
| Plus: Fees - Arcus | | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 1,440,000 |
| Plus: Fees - CIT | | | | | 13,750 | 13,750 | 13,750 | 13,750 | 13,750 | 13,750 | 13,750 | 13,750 | 13,750 | 13,750 | 13,750 | 13,750 | 13,750 | 13,750 | 13,750 | 206,250 |
| Less: Return of Cash Balance | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (303,988) | (303,988) |
| Less: Paydown (net of additions to cash) | | (12,305,997) | (9,680,794) | (1,264,942) | (10,128,792) | (2,587,256) | (1,335,942) | (1,122,943) | (1,757,223) | (5,178,763) | (1,842,292) | - | - | - | - | - | - | - | (14,551,515) | (61,756,459) |
| End of Month | | 62,557,411 | 53,456,185 | 52,698,130 | 43,083,922 | 40,934,474 | 40,019,174 | 39,309,564 | 37,960,008 | 33,178,134 | 31,694,544 | 32,041,399 | 32,391,023 | 32,743,440 | 33,098,671 | 33,456,738 | 33,817,665 | 34,181,475 | 19,692,687 | 19,692,687 |
| 5) **Shortfall to Secured Creditors** | | | | | | | | | | | | | | | | | | | | **19,692,687** |
| 6) **Remaining Chapter 11 Priority Claims** | | | | | | | | | | | | | | | | | | | | |
| 503(b)(9) Claims | | | | | | | | | | | | | | | | | | | 2,000,000 | 2,000,000 |
| Accrued PTO | | | | | | | | | | | | | | | | | | | 1,659,164 | 1,659,164 |
| Employer Taxes on Accured PTO | 10.50% | | | | | | | | | | | | | | | | | | 174,212 | 174,212 |
| Total | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,833,376 | 3,833,376 |
| 7) **Shortfall BEFORE Unsecured Creditors** | | | | | | | | | | | | | | | | | | | | **23,526,063** |

# Shapes/Arch Holdings, LLC
## Liquidation Analysis - Exhibit 2
## Proceeds Comparison

| Accounts Receivable | Estimated Book Value 6/15/2008 | Estimated Borrowing Base Avail. 6/15/2008 | Estimated Gross Liquidation Proceeds 6/15/2008 | Estimated Proceeds as a % of of BV | Estimated Proceeds as a % of Bbase |
|---|---|---|---|---|---|
| Shapes | 14,297,884 | 11,557,348 | 9,177,380 | 64.2% | 79.4% |
| Delair | 13,818,274 | 10,833,083 | 8,889,570 | 64.3% | 82.1% |
| Accu-Weld | 4,220,790 | 3,155,888 | 1,746,352 | 41.4% | 55.3% |
| Ultra | 5,939,833 | 4,019,830 | 3,615,065 | 60.9% | 89.9% |
| Total | 38,276,781 | 29,566,149 | 23,428,367 | 61.2% | 79.2% |

| Inventory | Estimated Book Value 4/30/2008 | Estimated Borrowing Base Avail. 4/30/2008 | Estimated Book Value 6/15/2008 | Estimated Borrowing Base Avail. 6/15/2008 | Estimated Gross Liquidation Proceeds 6/15/2008 | Estimated Proceeds as a % of of BV | Estimated Proceeds as a % of Bbase |
|---|---|---|---|---|---|---|---|
| Shapes | 12,465,844 | 7,853,183 | 13,365,560 | 8,419,983 | 11,124,637 | 83.2% | 132.1% |
| Delair | 12,809,270 | 6,315,320 | 10,875,565 | 5,361,951 | 5,891,762 | 54.2% | 109.9% |
| Accu-Weld | 2,937,740 | 589,138 | 2,740,148 | 549,512 | 757,589 | 27.6% | 137.9% |
| Ultra | 17,562,885 | 9,263,811 | 17,216,797 | 9,081,261 | 9,573,315 | 55.6% | 105.4% |
| Total | 45,775,739 | 24,021,451 | 44,198,070 | 23,412,707 | 27,347,303 | 61.9% | 116.8% |

| Machinery & Equipment | 2/2007 Appraisal **Orderly** Liquidation Value | 12/17/2007 Appraisal **Orderly** Liquidation Value | 12/17/2007 Appraisal **Forced** Liquidation Value | Estimated Gross Liquidation Proceeds | Forced as a % of Orderly | Estimated Proceeds as a % of Forced |
|---|---|---|---|---|---|---|
| Shapes | 9,035,000 | 8,823,250 | 4,625,275 | 3,700,220 | 52.4% | 80.0% |
| Shapes - Tools and Dies | N/A | N/A | N/A | 351,280 | N/A | N/A |
| Delair | 700,000 | 681,875 | 524,550 | 472,095 | 76.9% | 90.0% |
| Accu-Weld | 1,903,000 | 1,814,075 | 1,382,700 | 1,175,295 | 76.2% | 85.0% |
| Ultra | 206,000 | 204,425 | 157,800 | 142,020 | 77.2% | 90.0% |
| Total | 11,844,000 | 11,523,625 | 6,690,325 | 5,840,910 | 58.1% | 87.3% |

| Real Estate | 2/2005 Appraisal **Market** Value | 9/28/2007 Appraisal **Market** Value | 9/28/2007 Appraisal **Liquidation** Value | Estimated Gross Liquidation Proceeds | Liq. Value as a % of Market | Estimated Proceeds as a % of Liq. Value |
|---|---|---|---|---|---|---|
| Shapes | 9,770,000 | 12,550,000 | 9,425,000 | 7,540,000 | 75.1% | 80.0% |
| Delair | 7,900,000 | 10,300,000 | 7,725,000 | 6,180,000 | 75.0% | 80.0% |
| Accu-Weld | 3,300,000 | 3,725,000 | 2,800,000 | 2,520,000 | 75.2% | 90.0% |
| Ultra | 3,600,000 | 3,775,000 | 2,825,000 | 2,542,500 | 74.8% | 90.0% |
| Total | 24,570,000 | 30,350,000 | 22,775,000 | 18,782,500 | 75.0% | 82.5% |

# Shapes/Arch Holdings, LLC
# Liquidation Analysis
# Assumptions
# April 14, 2008

**Introduction**

Section 1129(a)(7) of the Bankruptcy Code requires that each holder of an impaired Allowed Claim or Equity Interest either (a) accept the plan of reorganization (the "Plan") or (b) receive or retain under such Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date of the Plan.

The purpose of the Liquidation Analysis that follows (the "Liquidation Analysis") is to provide information in order for the Bankruptcy Court to determine that the Plan satisfies this requirement. The Liquidation Analysis was prepared to assist the Bankruptcy Court in making this determination and should not be used for any other purpose.

We have identified the general assumptions that were used in preparing the Liquidation Analysis, which assumes that this bankruptcy case is converted to a Chapter 7 proceeding on the Effective Date, and that a Chapter 7 Trustee is charged with reducing to cash any and all assets of the Debtors and making distributions to the holders of Allowed Claims (and Equity Interests) in accordance with the distributive provisions of Section 726 of the Bankruptcy Code.

Conversion of the Debtors' cases to cases under Chapter 7 of the Bankruptcy Code would likely result in additional costs to the estates. Costs of liquidation under Chapter 7 of the Bankruptcy Code would include the compensation of a trustee as well as professionals retained by the trustee, asset disposition expenses (including broker fees and other commissions), personnel costs, and costs and expenses associated with preserving and protecting the Debtors' assets during the liquidation period.

The Liquidation Analysis is limited to presenting information provided by management and does not include an independent evaluation for the underlying assumptions. The Liquidation Analysis has not been examined or reviewed by independent accountants in accordance with standards promulgated by the American Institute of Certified Public Accountants. The estimates and assumptions, although considered reasonable by management, are inherently subject to significant uncertainties and contingencies beyond the control of management. Accordingly, there can be no assurance that the results shown would be realized if the Debtors were liquidated, and actual results in such case could vary materially from those presented. If actual results are different from those shown, or if the assumptions used in formulating the Liquidation Analysis were not realized, then distributions to and recoveries by holders of Allowed Claims (and Equity Interests) could be materially affected.

The Liquidation Analysis does not include liabilities that may arise as a result of litigation, tax assessments, or other potential claims. The Liquidation Analysis does include an estimate of recoveries from potential avoidance actions. For the foregoing reasons and others, the Liquidation Analysis is not necessarily indicative of the values that may be realized in an actual liquidation, which values could vary materially from the estimates provided herein.

The Liquidation Analysis, which was prepared by the Debtors in consultation with their restructuring and legal advisers, is based upon a number of estimates and assumptions that, although developed and considered reasonable by management, are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of the Debtors and management. The Liquidation Analysis is based upon assumptions with regard to liquidation decisions that would be made by the Trustee (not management) and that are subject to change. Accordingly, there can be no assurance that the values reflected in the Liquidation Analysis would be realized by the Debtors were they, in fact, to undergo such a liquidation.

**General Assumptions**

1) The Liquidation Analysis is based upon an estimate of the proceeds that would be realized, and expenses that would be incurred, by the Debtors in the event that the Debtors' assets are liquidated under Chapter 7 of the Bankruptcy Code. The Liquidation Analysis is based upon projected balance sheets as of June 29, 2008, and further assumes that the Debtor's operate in a "business as usual" environment (as depicted in the Weekly cash flow forecast that was updated as of April 11, 2008 (the "Updated DIP Forecast") until June 29, 2008 (the "Shut Down Date"), at which point all of the employees are released. We have assumed that the Chapter 7 activities commence on July 1, 2008 (the "Conversion Date").

2) The Chapter 7 liquidation period is assumed to last eighteen months following the appointment or election of a Chapter 7 trustee. It is assumed that none of the Debtors businesses will take receipt of any product and that the Debtors will not convert any raw materials or work-in process into finished goods.

3) Aside from the maintenance of a minimum cash balance, all distributions will be made as and when proceeds from the disposition of assets and collection of receivables are received. Projected recoveries have not been discounted to reflect the present value of distributions.

4) The Liquidation Analysis does not assume the sale of the Debtors' assets or any portion thereof on a going concern basis. As a result, the values reflected in the Liquidation Analysis are not indicative of the values that might be received were the Debtors to sell any of their assets as a going concern separately or as a whole. The values reflected in the Liquidation Analysis are based solely on the assumption that the Debtors pursue a pure liquidation under chapter 7 of the Bankruptcy Code.

5) Contingent Liability - This analysis does not include the possibility of liability under the WARN Act for 60 working days of wages totaling $9.7 million. In the event of a liquidation, the Debtors may be faced with WARN liability unless the exposure can be ameliorated in whole or in part through an advance notice to employees or an exemption under the WARN statute. This liability would be treated as an administrative expense claim against the estates.

6) The Debtors have prepared this analysis assuming that all Chapter 7 and Chapter 11 administrative expense and pre-petition priority claims will be paid in full as part of the liquidation of the Debtors' assets. It is very possible that certain Chapter 7 administrative expenses, the Chapter 11 administrative expenses that are not included in a carve-out from the Lenders' collateral, and the pre-petition priority claims will not be paid ahead of payment on the Lenders' secured claims. In this event, the remaining balance due to the Lenders may be several million dollars lower than projected, and these administrative and priority claims would not be paid, leaving administratively insolvent estates.

**Specific Assumptions/Footnotes**

1) Sources
   a) Collection of A/R – we assumed that the Trustee will hire former employees at each of the Debtors in July and August to pursue collection of outstanding accounts receivable. At the end of August, any remaining open accounts receivable will be provided to a collection agency, which will be compensated at an assumed rate of 15%. We have assumed a 6 month process to collect remaining A/R. We estimated collection amounts based on a percentage of eligible A/R (65% for all Debtors' except Accu-Weld, for which we assumed 50%), and ineligible A/R (32.5% for all Debtors' except Accu-Weld, for which we assumed 12.5%).

   b) Sale of inventory – we assumed that all sales were for cash and that the buyer would be responsible for freight, which has historically been paid by the Debtors' and ranges from 3-5% of revenue. We further assumed that the Trustee will hire former employees to assist with the sales and pick/pack efforts.
      i. Shapes - We assumed that the inventory will all be sold by the end of August and that the sale will generate proceeds equal to 83% of book value and 132% of borrowing base availability.
      ii. Delair - We assumed that virtually all of the finished goods inventory will be sold by the end of August and that the remaining component parts would be sold at auction at the end of November. We assumed that the sale of inventory will generate proceeds equal to 54% of book value and 110% of borrowing base availability.
      iii. Accu-Weld - We assumed that all of the inventory, the vast majority of which is raw materials or work in process, will be sold by the end of August and that the sale will generate proceeds equal to 28% of book value and 138% of borrowing base availability.
      iv. Ultra - We assumed that all of the inventory would be sold at an auction at the end of October and that the auction will generate proceeds equal to 56% of book value and 106% of borrowing base availability.

   c) Sale of Machinery & Equipment – we used the Forced Liquidation Values in the December 17, 2007 Appraisal performed by Dovebid Valuation Services ("DVS") as our starting point, and incorporated an additional across-the-board discount of 10% to reflect the i) passage of time since the M&E Appraisal Date; ii) deterioration of the economy since the M&E Appraisal Date; iii) deterioration of the credit markets since the M&E Appraisal Date; and iv) the possibility that the DVS Liquidation Value did not necessarily reflect the fact that the facilities would be completely shut down and operated by a Chapter 7 Trustee. We incorporated an additional 10% discount for Shapes based on the general state of the extrusion market, and the small number of potential purchasers, and an additional 5% discount for Accu-Weld to reflect the general over-capacity in the replacement window market. Finally, we assumed a 5% recovery on the net book value of

Shapes' tools and dies, as these were not considered as art of Dovebids' appraisal. We assumed that the auctions would occur as follows:

| Entity | Month of Auction |
|---|---|
| Shapes | March, 2009 |
| Delair | February, 2009 |
| Accu-Weld | January, 2009 |
| Ultra | November, 2008 |

d) Sale of Real Estate - we used the Liquidation Values in the September 28, 2007 Appraisal performed by Cushman & Wakefield ("C&W") as our starting point, and incorporated an additional across-the-board discount of 10% to reflect the i) passage of time since the RE Appraisal Date; ii) deterioration of the economy since the RE Appraisal Date; iii) deterioration of the credit markets since the RE Appraisal Date; and iv) the possibility that C&W's Liquidation Value did not necessarily reflect the fact that the facilities would be completely shut down and operated by a Chapter 7 Trustee. We incorporated an additional 10% discount for Shapes and Delair to reflect the limited alternative uses of this single parcel of land as well as the environmental issues that are present. We assumed that the RE would be sold as follows:

| Entity | Month of Sale |
|---|---|
| Shapes | December, 2009 |
| Delair | December, 2009 |
| Accu-Weld | April, 2009 |
| Ultra | March, 2009 |

e) Other Assets
   i. Return of security deposits reflects the post-petition utility deposits that were incorporated into the DIP Forecast. We have assumed that these deposits are returned at the end of the liquidation period.
   ii. Excess of L/C over Reserve for Workman's Compensation tail coverage represents the excess of the letters of credit issued to Argonaut and Royal over their established reserves as of 12/31/07. Royal provided coverage from 5/2001 through 4/2004 and has 4 open claims, while Argonaut provided coverage from 5/2004 thru 4/2006 and has 8 open claims. No additional claims will be filed. We have assumed that the beneficiaries will draw on the L/C's shortly after the Conversion Date and have incorporated the return of this excess collateral, which we have estimated at $1.4 million, to the estate in December 2009.
   iii. Recovery of avoidance actions – the Debtors have estimated that they made $50,813,000 in payments in the 90 days prior to filing for bankruptcy protection. We have estimated that the Chapter 7 Trustee will be successful in

recovering 5% of this amount, or $2,540,650, which we have assumed will be collected in December 2009.

2) Uses
   a) Priority and Administrative
      i. Chapter 7 Trustee and Professionals – incorporates a fees equal to 3.0% of gross proceeds from liquidation – payable at the end of the liquidation process, as well as $550,000 in fees to professionals hired by the Chapter 7 Trustee, which would be payable monthly.
      ii. Chapter 7 – Non Professionals – reflects $1.1 million that will be owed to utilities as of the Shut Down Date.
      iii. Chapter 11 Priority Claims – includes accrued but unpaid payroll of $1.2 million representing one week for union employees and 2 weeks for non-union employees, plus employer payroll taxes of 10.5%. WARN ACT obligations (60 work days or 12 weeks of payroll, which equates to $9.7 million) have *not* been incorporated into this analysis.
      iv. Chapter 11 Administrative Claims – includes accrued but unpaid professional fees of $932,000 which are reflected as being paid in January of 2009 from proceeds of the M&E auction; accrued but unpaid sales and use tax of $80,000 (the same amount as existed as of the Filing Date); and $748k in unpaid pre-petition real estate taxes which are paid in conjunction with the sale of the real estate (March 2009 and December 2009).

   b) Wind Down Costs
      i. Includes estimated costs associated with personnel, shipping supplies, equipment rental, cleaning, telephone, utilities, insurance, real estate taxes, and security for each entity.
      ii. Includes $1,350,000 in estimated environmental remediation expenses at Shapes and an additional $1,000,000 of expenses at Shapes relating to the restoration of the Shapes building to a saleable state after the M&E auction.

   c) Other
      i. Collection Agency fee – we assumed that all open A/R would be turned over to a collection agency at the end of August, that the agency would collect the remaining A/R over a 6 month period, and that the agency would earn a fee equal to 15% of what they collect;
      ii. Inventory liquidator fee – we incorporated a fee of 5% of the gross proceeds, plus an additional 75 basis points for expenses, relating to the auctions at Ultra (in October) and Delair (in November);
      iii. M&E Liquidator fee – we incorporated a fee of 10% of the gross proceeds, plus an additional 5% for expenses, relating to the auctions of M&E at each entity;
      iv. Reserve for M&E removal – we assumed that some of the M&E would not be sold at auction, and incorporated a removal reserve of $250,000 at Shapes and $75,000 at Accu-Weld;

v. Real estate broker - we incorporated a fee of 6% of the gross proceeds realized from the sale of real estate.

3) Maintain Cash Balance
   a) Because there are months in which the estimated liquidation expenses exceed the estimated liquidation proceeds, we have incorporated a provision for establishing an interest-bearing bank account, which is used to pay for expenses in months 3, and 11 thru 17.
   b) Excess balances are used to repay secured debt at the end of the liquidation period.

4) Secured Debt Rollforward
   a) Beginning secured debt is derived from the 6/29/08 balance in the DIP Forecast, as follows:

| Type of Debt | Amount |
|---|---|
| CIT Bank Group - Revolver | $47,057,409 |
| Arcus Term Loan | 20,614,213 |
| Total Secured Debt | $67,671,612 |

   b) Draw under Letters of Credit – we have assumed that all letters would be immediately drawn upon, thereby increasing the CIT loan outstanding in July.
   c) Interest – we calculated the blended interest rate on the CIT Bank Group debt and Arcus Term loan as of 6/29/08 (assuming the letters of credit were fully drawn) and calculated a weighted average cost of secured debt of 7.31%. We assumed this blended rate for the entire liquidation period which further assumes that the CIT Bank Group and Arcus are paid down at the same proportional rate. We did not attempt to estimate the manner in which liquidation proceeds would be applied to the individual debt instruments.
   d) Additional Interest – Default Rate – we incorporated additional interest expense relating to the default rate of interest, which is an additional 2% under the CIT Bank Group debt, and 3% under the Arcus Term Loan.
   e) Letter of Credit Fee – we assumed that any outstanding letters of credit would accrue fees at the annual rate of 3.00%, which is the stated rate in the CIT loan documents.
   f) Fees- Arcus – incorporated at $80,000 per month.
   g) Fees – CIT – incorporated at $13,750 per month per the terms of their Agent's Fee Letter.
   h) Return of Cash Balance – incorporates the return of excess cash balances in the bank account at the end of the liquidation period as described above.

i) Paydown – for modeling purposes, we assumed that the Net Proceeds from Liquidation in every month (in excess of the amounts deposited into the bank account as described above) would be used to reduce the Secured Debt.

5) Shortfall to Secured Creditors – net proceeds from liquidation have been estimated at $62.0 million, which will result in a shortfall of $19.7 million to the secured creditors. In addition, there is an additional $3.8 million of priority payments (503(b)(9) claims and accrued vacation and sick time) that would be paid before any distribution to the unsecured creditors, resulting in a total shortfall of $23.5 million. Accordingly, there would be no distribution to unsecured creditors.

**Comparison with Balance Sheet and Borrowing Base**

Exhibit 2 compares various appraisal values with the estimated 6/29/08 book values, the estimated 6/29/08 borrowing base amounts, and the estimated liquidation values.